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Chair: Ms. King ..... (Saint Vincent and the Grenadines)
Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Sene

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The meeting was called to order at 10.05 a.m.

Agenda item 133: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Accountability system in the United Nations Secretariat (A/71/729, A/71/731, A/71/731/Add.1 and A/71/820)

1. **Mr. Takasu** (Under-Secretary-General for Management), introducing the Secretary-General's sixth progress report on the accountability system in the United Nations Secretariat (A/71/729), said that properly designed and functioning internal controls reduced the likelihood that errors, misconduct or wrongdoing would occur or remain undetected. The report described the progress made in strengthening critical components of the accountability system in 2016 and explained how the increased visibility of the Organization's transactions provided by the Umoja enterprise resource planning system and the International Public Sector Accounting Standards (IPSAS) was strengthening management and accountability.

2. Progress had been made in implementing enterprise risk management in the six critical risk areas of organizational structure and synchronization; organizational transformation; strategic planning and budget allocation; safety and security; extrabudgetary funding and management; and human resources strategy. The six working groups established to address those areas were monitoring the work of risk treatment teams, the effectiveness of agreed actions in mitigating risks, and the evolving risk profile of the Organization, and were reporting regularly to the Management Committee. In addition, the Department of Peacekeeping Operations and the Department of Field Support had completed the first phase of the implementation of enterprise risk management in peacekeeping operations, with three missions and the United Nations Global Service Centre having initiated risk treatment plans. The Secretariat had developed a practical guide for managers that included tools and templates for implementing enterprise risk management at the departmental level on the basis of a common methodology. It was also developing an e-learning course for staff at large that would be administered through Inspira and the United Nations System Staff College.

3 The Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, established in September 2016, included definitions of fraud and corruption as they applied to the Secretariat; reiterated the Organization's policy of zero tolerance for fraudulent acts; described the responsibilities of staff members with respect to preventing fraud and corruption; set out fraud prevention measures; and outlined the principles guiding third parties in contractual arrangements with the Secretariat. Efforts had been made to raise awareness of the Framework through a number of platforms, including iSeek, and a Leadership Dialogue on the topic of fraud awareness and prevention administered by the Executive Office of the Secretary-General and the Ethics Office. An e-learning programme on anti-fraud efforts was also being developed by the Ethics Office, in conjunction with the Office of Internal Oversight Services (OIOS) and the Office of Human Resources Management. Moreover, the Secretariat was undertaking an enterprise-wide fraud risk assessment, which would contribute to the assurance process underpinning internal controls. The High-level Committee on Management had created a task force for the purpose of establishing a single agreed definition of fraud and suspected or presumptive fraud across the United Nations system and developing a common understanding with regard to partnership arrangements with implementing partners. In addition, a new policy against retaliation for reporting misconduct, which covered preventive action and misconduct committed by non-staff personnel, had been finalized in January 2017.

4. The Secretariat was currently developing a statement on internal control whereby programme managers would be requested to verify, at the beginning of each financial period, the effectiveness of the internal controls for which they were responsible. As a first step towards introducing the statement, an Assurance and Monitoring Unit has been created in the Accounts Division of the Office of Programme Planning, Budget and Accounts with the aim of providing reasonable assurance of the reliability of data flowing into financial statements and records.

5. With regard to accountability in field operations, directors and chiefs of mission support, as chief fiduciaries of peacekeeping operations, were required to submit letters of representation stating that they had properly exercised the authority delegated to them. In addition, a mechanism that allowed personnel to be vetted for prior misconduct against information recorded in the Misconduct Tracking System maintained by the Department of Field Support had been implemented in peacekeeping missions, in order to ensure that personnel previously found to have committed misconduct did not serve again at the United Nations. The Secretary-General attached high

importance to preventing and responding to all forms of misconduct, in particular sexual exploitation and abuse. Peacekeeping and special political missions were implementing the programme of action set out in the 2014 report of the Secretary-General on special measures for protection from sexual exploitation and sexual abuse (A/69/779), and the latest report on that subject (A/71/818) had recently been issued.

6. By significantly increasing the visibility of data in the areas of finance, human resources, real estate and procurement, Umoja had contributed to enhancing transparency, management and decision-making. It provided real-time information on budget implementation and fund availability across entities and funding sources, and served as a central repository of all extrabudgetary contribution agreements. It had also strengthened compliance with donor agreements and improved tracking of the performance of implementing partners. In addition, Umoja provided a consolidated source of operational information relating to human resources and a database of global commercial suppliers to support the implementation of a global procurement policy. The Umoja real estate module also afforded a comprehensive view of the owned, leased and donated right-to-use real estate holdings across all duty stations and field missions.

7. The performance evaluation systems established by the Secretariat consisted of the senior managers' compacts for Under-Secretaries-General, Assistant Secretaries-General and heads and deputy heads of missions, and the performance management system for all other staff. In 2016, the compact for heads and deputy heads of missions had been refined to include an objective on gender mainstreaming; stronger language on conduct and discipline; and a new commitment in the area of environmental planning. In addition, ongoing improvements were being made to the performance management system, as reported by the Secretary-General in his overview report on human resources management reform (A/71/323).

8. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/820), noted the progress made in establishing structures and systems which, if utilized in the manner intended, could provide management and governing bodies with elements for a viable accountability framework. The Advisory Committee welcomed the adoption of the Anti-Fraud and Anti-Corruption Framework and the revised whistle-blower protection policy. It also welcomed the steps taken towards ensuring swifter monitoring of the status of implementation of General Assembly resolutions on administrative and budgetary matters.

9. With regard to institutional performance, the Advisory Committee noted with concern that the report of the Secretary-General (A/71/729) contained no information on the implementation of results-based management and few specific details concerning the impact of Umoja on accountability. With respect to individual performance, it recommended that additional efforts should be made to strengthen senior managers' compacts by making them more concrete, with specific measurable and time-bound performance indicators and targets. Moreover, as the current distribution of performance ratings might not accurately reflect the performance of staff, the Advisory Committee expected that specific measures would be enacted to ensure a more credible distribution of ratings.

10. In view of the persistent gaps in institutional and personal accountability, the Advisory Committee was not convinced that a progress report on the accountability system should be issued biennially. However, elements of the accountability framework relating to human resources should be considered in the context of, or at the same time as, the Secretary-General's proposal on the evolving human resources management framework, to be submitted for the General Assembly's consideration at its seventy-third session.

11. **Mr. Achamkulangare** (Joint Inspection Unit), introducing the note by the Secretary-General transmitting the report of the Joint Inspection Unit (JIU) on fraud prevention, detection and response in United Nations system organizations (A/71/731), said that the report addressed concerns expressed by Member States and internal and external oversight bodies regarding the status of anti-fraud efforts in the United Nations system. It examined fraud prevention, detection and response in the Organization at the conceptual and operational levels, and set out a fraud management framework for adoption by United Nations system organizations. The report contained 16 formal recommendations, 1 addressed to legislative and governing bodies and 15 addressed to executive heads. It also contained 20 informal recommendations in the form of suggestions for improving policies and practices for addressing fraud.

12. The average level of fraud reported by the United Nations system concerned approximately 0.03 per cent of total revenue, compared with an average of between 1 and 5 per cent for the public and private sectors, which suggested that underreporting or non-detection

in the system could be significant. In addition to causing financial losses, fraud had damaging effects on an organization's reputation, potentially undermining its ability to implement programmes effectively, establish partnerships and secure funding. Fraud prevention, detection and response mechanisms thus played a key role in enhancing the accountability and effectiveness of the United Nations system and in promoting appropriate oversight and the responsible use of resources.

13. While a number of organizations had been making concerted efforts in recent years to strengthen their anti-fraud policies and strategies, more needed to be done to improve the understanding of the threat of fraud and methods of tackling fraudulent activities and malfeasance in the United Nations system. Some organizations were unable or unwilling to properly acknowledge and address that threat, as reflected in the comments they had provided on the draft report (A/71/731). The management of such organizations must seriously examine their fraud risk profiles, acknowledge their level of exposure to fraud, and devise an effective anti-fraud programme to protect their assets, integrity and reputation. There was considerable variation in the approaches and intensity of efforts undertaken to manage fraud in different organizations, as well as in the nature of fraudulent activities and levels of fraud committed by staff members and external parties. Consequently, instead of advocating a one-size-fits-all approach, the report stressed the need to adapt the proposed fraud management framework to the specific requirements of each organization.

14. Rather than establishing new structures with significant financial implications, organizations must utilize existing structures more effectively and apply the principle of proportionality in addressing fraud on the basis of assessed risk. Moreover, establishing robust fraud prevention measures from the outset would be less costly than responding to acts of fraud after they occurred.

15. The fraud management framework set out in the report emphasized the need for organizations to establish clear definitions of fraud and presumptive fraud. The lack of a common understanding of those concepts, even within the same organization, gave rise to ambiguities of interpretation and could jeopardize the effective implementation of anti-fraud measures. Such ambiguity also undermined the accuracy of financial reporting, transparency, and the compatibility and comparability of fraud data across United Nations system organizations.

16. Managers were ultimately responsible for creating a strong anti-fraud culture within their respective organizations; nevertheless, many respondents to a system-wide survey on fraud conducted by JIU had indicated that they did not perceive a clear commitment on the part of senior management to tackling fraud. Executive heads must therefore set a strong "tone at the top" by reiterating their unequivocal commitment to preventing, detecting and responding to fraud. In addition, anti-fraud policies and procedures were often fragmented across several rules, regulations, guidelines, policies and administrative structures. Even in organizations that had stand-alone corporate anti-fraud policies, the allocation of roles and responsibilities for addressing fraud was unclear and there was no specific guidance on how to operationalize such policies. United Nations system organizations must therefore assess the effectiveness of their existing accountability and control frameworks in countering fraud and update them to incorporate organization-wide anti-fraud controls.

17. Targeted training for staff was also essential. While most organizations offered mandatory ethics training, very few provided dedicated anti-fraud training, particularly for staff in risk-prone functional areas such as procurement, and none had provided evidence of the existence of an anti-fraud training strategy aimed at raising awareness and addressing capacity and knowledge deficits among staff and management with regard to fraud-related issues.

18. The fact that most United Nations system organizations did not conduct systematic fraud risk assessments or consider fraud to be a corporate risk indicated a general lack of understanding of the impact of fraud on an organization's operations. Such risk assessments must be conducted in order to systematically identify where and how fraud occurred; devise controls to mitigate fraud-related risks; and develop anti-fraud strategies in proportion to assessed levels of risk.

19. Organizations must exercise due diligence in screening potential staff members or third parties, such as implementing partners, vendors and contractors, for indications of potential or previous fraudulent behaviour. Taking such precautions prior to the recruitment of a candidate or formalization of a partnership was more cost-effective than addressing the consequences of fraudulent acts, including financial losses and lengthy and costly legal and administrative processes. In that connection, organizations should consider incorporating standard anti-fraud provisions in legal agreements with third

parties to protect the interests of the United Nations system. Monitoring of high-risk programmes and activities, particularly in the form of spot checks, reviews and audits, must also be strengthened, and fraud prevention and detection capabilities such as automated activity reporting and data mining should be integrated in organizations' automation and enterprise resource planning systems.

20. Whistle-blowers were responsible for the detection of more instances of fraud and corruption than all other methods combined. While most organizations had adopted at least basic provisions governing whistle-blowing, instructions on hotlines and other fraud reporting mechanisms were fragmented and not easily accessible. In addition, the fact that many respondents to the JIU survey had indicated that they would fear retaliation if they reported suspected fraud demonstrated the need to strengthen whistle-blower protection policies and procedures in the United Nations system.

21. It would be critical to address the challenges contributing to the lengthy investigation processes and delays in determining and imposing disciplinary and other corrective action for perpetrators of fraud. The protracted nature of those processes created a sense of impunity within organizations that prevented fraud from being deterred and reported. In addition, an effective sanctions regime providing for disciplinary measures for staff and debarment for external parties should be established. While policies prescribing disciplinary measures were in place, most organizations weighed the legal risks heavily in determining whether and what kind of disciplinary measures to impose and whether to refer cases to national law enforcement authorities for prosecution. Organizations should review the practices of other multilateral institutions with regard to such referrals when determining the appropriate course of action in such cases.

22. Basic information on fraud was either absent or fragmented in all of the organizations reviewed, which undermined accountability and decision-making. In particular, there was little, if any, information on the implementation of anti-fraud measures in relation to specific performance indicators. There was also a lack of credible fraud statistics and information on level of fraud exposure; status of compliance with anti-fraud policies; sanctions; fraud-related losses and recovery of assets; and lessons learned.

23. Enhanced cooperation and coordination among organizations were critical for addressing fraud on a comprehensive, system-wide basis. Indeed, there had been a number of reported cases in which several organizations had been defrauded by the same third parties. In that regard, organizations could collaborate by sharing information on vendors and implementing partners; conducting joint anti-fraud campaigns; sharing training material; performing joint or parallel investigations; and harmonizing prescribed sanctions for staff and third parties.

24. He drew attention to the four annexes to the report (A/71/731), which had been published in full on the JIU website. While the feedback of the United Nations System Chief Executives Board for Coordination (CEB) was welcome, a number of its comments on the report seemed excessively defensive. He hoped that United Nations system organizations would draw on the findings and recommendations of JIU to enact critical anti-fraud reform.

25. **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General transmitting his comments and those of CEB on the JIU report (A/70/731/Add.1), said that United Nations system organizations considered that the report contributed to strengthening system-wide transparency and anti-fraud measures, particularly in the light of the significant risk posed by fraud. In their comments on the report, organizations unequivocally acknowledged the responsibility of all personnel to apply anti-fraud measures; universally supported vigorously pursuing all allegations of fraud; agreed on the need to protect whistle-blowers; and noted the importance of supporting oversight bodies in their efforts to combat fraud and corruption.

26. Several organizations had emphasized the significant impact of the resources required to implement the Unit's recommendations on smaller entities which, by virtue of their size, often faced fewer fraud-related allegations. Organizations nevertheless generally accepted the Unit's recommendations, particularly on the need to adopt common definitions regarding fraudulent and corrupt practices; bring anti-fraud policies in line with best practices and develop comprehensive, organization-specific anti-fraud strategies for their implementation; and establish anti-fraud training. Differing views had been expressed with regard to the details of implementing some recommendations, and alternative approaches had been proposed in some cases. Organizations had also noted that the implementation of many of the recommendations could depend on the outcome of recommendation 5, which called for all entities to conduct a corporate fraud risk assessment. Such an assessment would allow each entity to determine the

costs and benefits of implementing the Unit's recommendations within its specific context.

27. **Ms. Pereira Sotomayor** (Ecuador), speaking on behalf of the Group of 77 and China, recalled the obligation of senior managers and heads of department within the Secretariat to be answerable for all decisions made and actions taken by them and to be responsible for honouring their commitments, with a view to fulfilling the Organization's mandates in a timely and cost-effective manner, in accordance with the definition of accountability set out in General Assembly resolution 64/259.

28. The Group took note of the adoption of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and the updated policy on protection against retaliation. She was interested to learn more about the practical measures that the Secretary-General would take to strengthen the contribution to the accountability framework of transformational projects such as IPSAS, Umoja, the global field support strategy, the mobility policy and the capital master plan, in line with the relevant recommendation of the Advisory Committee.

29. The Group was concerned by the low rate of implementation of the oversight bodies' recommendations relating to accountability and would seek to learn more about the challenges faced by the Secretary-General in that regard, with a view to strengthening implementation efforts. In particular, it noted with regret the lack of references in the Secretary-General's report (A/71/729) to the Board of Auditors' findings and recommendations on personal and institutional accountability, as well as the decline in the implementation rate of the recommendations of OIOS. External and internal oversight mechanisms played an indispensable role in performing regular audit reviews and issuing recommendations, which often highlighted operational deficiencies. Such mechanisms also strengthened the performance of managers by monitoring the activities for which they were accountable.

30. The Group would seek further information on efforts made to develop a single set of definitions of fraud across the United Nations system; develop a central intake mechanism for investigating allegations of fraud; and establish the Anti-Fraud and Anti-Corruption Framework. It also looked forward to learning more about steps taken to establish a single system-wide tracking system for all forms of misconduct; monitor the status of implementation of General Assembly resolutions on budgetary and administrative matters; and develop a results-based management plan.

31. Implementation of an effective accountability framework was an ongoing exercise aimed at strengthening the culture of accountability and improving the management of financial and human resources in the Organization. An annual progress report to the General Assembly on the matter was therefore necessary.

32. **Mr. Abdallah** (Chad), speaking on behalf of the Group of African States, welcomed the progress made in strengthening monitoring and oversight mechanisms and managing risk and performance. External and internal oversight bodies provided reasonable assurance that resources were being utilized effectively, assets were being safeguarded, and financial information was being reported reliably in compliance with regulations, rules and policies that promoted accountability and strong management. The observations and recommendations of such bodies, particularly with regard to completed and ongoing transformational projects, were greatly beneficial to the Secretariat. The Group commended the actions taken to strengthen enterprise risk management; establish the Anti-Fraud and Anti-Corruption Framework; introduce the statement on internal control; enhance internal controls in the procurement process; strengthen accountability at peacekeeping missions; improve ethical standards; and enhance the performance of personnel. It also commended the exemplary work of JIU in highlighting areas of strength and weakness in the anti-fraud efforts of the United Nations system and called on organizations to implement its recommendations in order to combat fraud more effectively.

33. The Secretary-General should continue to capitalize on the role of Umoja in increasing the availability of financial information for the management of common support services in such areas as budget and finance, including in the context of peacekeeping operations. The Group would examine the role of the HR Insight accountability and monitoring framework in helping managers achieve their human resources management objectives in relation to, inter alia, the five strategic indicators related to gender equality, geographical representation, vacancy rates, staffing timeline and performance management compliance included in the human resources management scorecard. It would also examine how the Umoja functionalities relating to central support services could contribute to strengthening accountability. In addition, the Group concurred with the Advisory Committee on the need

for practical measures to ensure that the elements of the accountability system led to improved personal and institutional accountability.

34. The Group called for concrete measures to develop capacity for evaluation within Secretariat programmes, with support provided by OIOS and external oversight bodies, and stressed the need to implement the enterprise risk management framework across all peacekeeping operations. It welcomed the initiative to vet military and police contingent personnel, including all personnel deployed at peacekeeping and special political missions, in order to ensure that personnel previously found to have committed misconduct did not serve again at the United Nations. Lastly, it looked forward to the development of a single system-wide tracking system that would cover all forms of misconduct.

35. **Ms. Baumann** (Switzerland), speaking also on behalf of Liechtenstein, said that the implementation of the accountability framework, which required the unwavering commitment of staff and senior leadership alike, was essential for ensuring that the management of the United Nations was predictable, credible, effective and efficient. She therefore welcomed the Secretary-General's efforts in that regard.

36. The General Assembly had repeatedly acknowledged the importance of results-based management for ensuring a more accountable, effective and efficient United Nations, as reflected in its resolutions 67/253 and 70/255. In particular, in paragraph 12 of its resolution 70/255, the Assembly had reiterated its request to the Secretary-General to include in his sixth progress report on the accountability system a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management as part of the regular functioning of the Organization. She thus shared the Advisory Committee's concern that the report of the Secretary-General (A/71/729) did not address the requirements set out by the General Assembly in that regard. The Secretary-General should also intensify his efforts in the area of results-based budgeting, where progress remained modest even though Member States had first adopted a resolution on the matter some 16 years earlier.

37. The two delegations were encouraged that the Secretary-General, in his remarks to the General Assembly on taking the oath of office, had highlighted the importance of management reform and the need to foster a culture of accountability by establishing effective and independent evaluation mechanisms, strong performance management and protection for whistle-blowers.

38. **Mr. De Preter** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the Former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Georgia, the Republic of Moldova and Ukraine, welcomed the general information provided in the report of the Secretary-General on efforts made to implement the accountability framework. His delegation nevertheless regretted the emphasis placed on process-focused initiatives rather than on the results and impact of the activities undertaken, in spite of the request contained in General Assembly resolution 70/255 for the Secretary-General to take a more strategic approach to implementing the accountability framework and to include in the related progress reports comprehensive and tangible assessments of progress made by the Secretariat.

39. While welcoming the progress made in establishing structures and systems that contributed to a sound accountability framework, the European Union agreed with the Advisory Committee on the need for practical measures to ensure enforceable institutional and personal accountability. Indeed, the Organization's ability to operationalize and enforce remedial measures for staff and officials who had not adequately exercised their responsibilities was central to the credibility of the accountability framework, as was the effective use of resources, which directly affected mandate fulfilment. Although much of the remaining work would be process-focused, a cultural shift was also needed to improve accountability, which could be effected by senior managers within their existing capacities without changes to processes or procedures.

40. The European Union welcomed the adoption of the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat and looked forward to receiving updates on its implementation. It also looked forward to more concrete information on the added value generated by the enterprise risk management framework. Holding senior managers accountable for the delivery of results, not just outputs, remained a work in progress, with more needing to be done to promote and mainstream a real culture of accountability. In that regard, his delegation was disappointed that the Secretary-General had failed to present a plan for the implementation of results-based management, as requested by the General Assembly in its resolution 70/255.

41. The States members of the European Union stood ready to discuss the future reporting frequency and content of the progress report on the accountability system. In that context, more attention should be devoted to the human resources management framework and to issues relating to the reports of oversight bodies, particularly the status of implementation of the Board of Auditors' recommendations and efforts to ensure accountability for addressing audit recommendations.

42. **Ms. Connelly** (United States of America) said that the thorough implementation of the accountability framework, which must incorporate robust enterprise risk management, anti-fraud and anti-corruption controls and results-based management, could strengthen the Organization's ability to manage risk and ensure alignment between authority and responsibility. In that regard, she commended the Secretary-General for finalizing the Anti-Fraud and Anti-Corruption Framework and stressed the need for Member States to ensure its effective implementation in order to combat fraud across the Secretariat, with a particular focus on implementing partners.

43. Her delegation appreciated the Secretary-General's prompt attention in finalizing the updated policy on protection against retaliation, which would help to foster an environment in which staff reporting fraud and misconduct were protected. She looked forward to further refinement of the policy following the six-month review of its implementation. She also noted with appreciation the completion of the first phase of implementation of the enterprise risk management framework across peacekeeping missions, including the efforts undertaken by three missions to address previously identified risks. She nevertheless agreed with the Advisory Committee on the need for a more comprehensive approach to implementing the framework across all peacekeeping missions and looked forward to learning more about how the Secretariat planned to achieve that goal.

44. The United States supported the implementation of results-based management, which would require a shift towards an organizational culture that emphasized setting specific, measurable and time-bound goals. Her delegation would therefore seek further information from the Department of Management on why the Secretary-General's report (A/71/729) had failed to respond to Member States' request for a detailed plan in that regard.

45. **Mr. Takasu** (Under-Secretary-General for Management) said that the Secretariat was making encouraging progress in implementing enterprise risk management and establishing common definitions of fraud and corruption across the United Nations system through the working group established by the High-level Committee on Management to address fraud. Those initiatives reflected the commitment of the Secretary-General to improving the accountability framework.

46. A cultural change was needed to shift the focus of Member States and the Secretariat away from inputs towards outputs in the context of strengthening accountability. With regard to the role of major transformational projects in fostering accountability, each project had a responsibility structure that clearly emphasized the individual accountability of each contributor, and progress and challenges in implementation were being monitored with scorecards established by the Secretary-General.

47. The lack of a strategic focus in the Secretary-General's report (A/71/729) could be attributed to the current annual reporting cycle, which meant that the Secretariat was only able to assess developments over a period of six to seven months, shorter than the time frame required to develop meaningful strategic analysis. The foundations had been laid for the implementation of results-based management, which required establishing a strategic framework of expected results and performance indicators; developing and monitoring programme budgets across all budget categories; and evaluating outcomes, taking into account the recommendations of oversight bodies. While he would make every effort to respond to Member States' concerns in that regard during informal consultations, the Secretariat would be in a better position to report on the implementation of results-based management after the expected completion of Umoja Extension 2 in 2018. In that connection, the Secretary-General attached high priority to the recommendations of the oversight bodies, and the Management Committee was meeting regularly to review their implementation status. Obstacles in that regard included the highly general nature of certain recommendations, which made them difficult to implement in full, and the specific challenges faced at hardship duty stations.

Procurement activities in the United Nations Secretariat (A/70/676, A/70/676/Add.1, A/71/681 and A/71/823)

48. **Mr. Cutts** (Assistant Secretary-General for Central Support Services), introducing the Secretary-General's report on procurement activities in the United Nations Secretariat (A/71/681), said that in the report, the Secretary-General requested the Assembly

to note the impact of Umoja on procurement, the advantages and disadvantages of different solicitation methods in the acquisition of aviation services, an assessment of the pilot project for electronic tendering, an update on the development of the Award Review Board and the Vendor Review Committee, efforts to promote procurement from developing countries and countries with economies in transition, and an update on regional procurement. The procurement volume for the United Nations system had increased from $16.1 billion in 2013 to $17.6 billion in 2015. The procurement volume for the Secretariat, which accounted for between 18 and 19 per cent of the total, had increased from $3.0 billion in 2013 to $3.1 billion in 2015, and was initially estimated at $3.2 billion in 2016.

49. The Procurement Division in the Office of Central Support Services was essential in the acquisition of goods and services at Headquarters, and its role in the supply chain for peacekeeping and special political missions, offices away from Headquarters, tribunals and regional commissions should be strengthened. His Office and the Department of Field Support would work together to ensure that the supply chain management strategy met the needs of the Department and the operational requirements of the Secretariat. While efficiency and agility were essential to such management, the strategy must also provide strong governance and ensure that such core principles as the segregation of procurement duties, necessary in protecting the Organization from fraud and corruption, were respected. His Office's commitment to professionalism and integrity went beyond working under the scrutiny of the Office of Internal Oversight Services, the Board of Auditors and the Joint Inspection Unit. At the beginning of 2016, the coverage of the Award Review Board had been expanded to include the United Nations Office at Geneva, the United Nations Office at Nairobi and the United Nations Office at Vienna. The Division offered training to procurement, requisitioning and contract management offices and promoted ethical standards internally and among vendors.

50. The implementation of Umoja had removed location-based operational barriers, harmonized processes and enabled real-time management of procurement regardless of location. The strategic direction of procurement in the Secretariat would be aligned with the global service delivery model to realize the benefits of Umoja and other reforms. In consultation with stakeholders, his Office was reviewing adjustments to the governance, organization and distribution of procurement offices worldwide to ensure that clients' needs were met as efficiently as possible.

51. United Nations procurement should be reorganized on the basis of regional hubs with the flexibility to meet broader demands, and resources should be aligned with workloads. The procurement governance adjustments at the United Nations Office at Nairobi were a step in that direction and an early indicator of the potential benefits of consolidation. To help align processes, procurement and financial transactions of the United Nations Environment Programme, the United Nations Human Settlements Programme and the Office for the Coordination of Humanitarian Affairs would be made through Umoja. The thresholds for the delegation of procurement authority had been increased, the vetting of cases by the local committee on contracts had been reduced and processes had been simplified. The Nairobi model, which had improved client satisfaction and service delivery, could be replicated in Geneva and Vienna.

52. Procurement offices in Geneva and in the Global Service Centre at Brindisi, Italy, and selected units at Headquarters in New York had joined the e-tendering pilot project initiated by the Procurement Division in 2014 with the solicitation of a number of requests for quotations. The results of outreach activities and surveys had indicated that vendors had reacted positively to the system. In future, e-tendering would also be used for invitations to bid and requests for proposals and would be rolled out to other units of the Division. The Organization gave a high priority to ensuring that vendors from developing countries and countries with economies in transition had access to business opportunities. The number of registered vendors and the amount spent on goods and services from non-industrialized countries had increased in recent years because of the introduction of basic-level registrations and the support provided to vendors by the Regional Procurement Office. To align procurement practices with industry standards, the Secretariat was introducing a new solicitation method for the procurement of long-term aviation services and had included after-sales support in vehicle contracts. The Procurement Division and the Department of Field Support had held technology fairs to introduce officials to new products and concepts that could be used to meet field requirements.

53. One of the targets of the 2030 Agenda for Sustainable Development was to promote public procurement practices that were sustainable, in accordance with national policies and priorities. The Secretariat was therefore reviewing efforts to reduce its environmental impact by using more energy-efficient

infrastructure and transport, more renewable energy and better waste management systems. The Secretariat would submit to the General Assembly at the current session an action plan to ensure that by 2020 United Nations operations and facilities did not, within current procurement rules, negatively affect the climate.

54. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/823), said that the Advisory Committee looked forward to the outcome of the review by the Office of Central Support Services of the governance, organization and distribution of procurement offices worldwide. The Secretary-General should maximize efficiency while taking into account the procurement needs of individual entities. Any procurement service delivery proposals should be coordinated with such ongoing initiatives as the supply chain management system. Further explanation regarding the imbalance in the distribution of resources referred to in the Secretary-General's report and clarification regarding the underlying analysis and the method used for estimating procurement workloads were needed. The Advisory Committee recommended that the General Assembly should request the Secretary-General to provide in his next report an update on the changes in procurement processes in Nairobi and the feasibility of replicating them in Geneva and Vienna.

55. In his report, the Secretary-General provided only preliminary information regarding the advantages and disadvantages of the request-for-proposal method in the procurement of long-term aviation services; the Advisory Committee trusted that he would provide further details when its report was considered by the General Assembly. The Advisory Committee recommended that the Assembly should request the Secretary-General to ensure that the Procurement Division was involved from the early stages of the launch and planning of new missions in order to maximize efficiency and optimize the use of resources, and to provide in his next report further information regarding standing administrative measures finalized in the area of procurement, the circumstances in which they were used and the ways in which their use was reported.

56. The Advisory Committee welcomed the development of a joint shipping cell with the World Food Programme, the inclusion of procurement in the young professionals programme and the progress made as a result of the implementation of Umoja, including the elimination of legacy systems, the migration of vendor information to a single database for the Secretariat and the publication of awards over $40,000 on the Procurement Division website. The Secretary-General should make better use of the data in Umoja to improve visibility, transparency, practices and operations in procurement.

57. **Mr. Achamkulangare** (Joint Inspection Unit), introducing the note by the Secretary-General transmitting the report of JIU on contract management and administration in the United Nations system (A/70/676), said that in the report the Unit analysed the management by United Nations system organizations of contracts for goods and services after award, with a view to identifying good practices, lessons learned and areas for improvement and enhancing system-wide coherence. The report focused on contract management governance, human resources and capacity-building, performance monitoring, contract change management, automation support, and harmonization and collaboration among organizations. In preparing the report, the Unit had developed a model to assess post-award contract management processes. The model had been populated with data received through a survey of United Nations contract management practitioners and senior managers. After the data had been analysed, each organization had been sent an assessment of its strengths and weaknesses in contract management.

58. Given the large volume of procurement, stakeholders must make a concerted effort to address the deficiencies in post-award contract management, which were similar across the system and would recur unless policies and procedures were refined and practices strengthened. Of the 12 recommendations in the report, 2 were addressed to the legislative bodies and the remainder to the executive heads of the organizations. Post-award contract management policies and procedures were in many cases absent, and contract management structures, roles and responsibilities were not defined in a way that promoted accountability and efficiency. Senior management should professionalize contract management and establish contract management units where required. Training in post-award contract management was neglected in most organizations, with the result that staff lacked skills in that area. While risk management plans existed for the pre-award phase, no systematic risk assessment was conducted at the start of the post-award phase. Contract performance monitoring should be improved to avoid poor contractor performance, ensure that services were delivered as expected and prevent payments that exceeded the value of the services received. Contractor performance was not systematically evaluated, the guidance for those responsible for such evaluations

was not clear and most organizations did not have central systems for keeping records of evaluations.

59. JIU welcomed efforts among organizations to share contractor performance information through a central list of decisions concerning the ineligibility of or sanctions against vendors, to help organizations make informed decisions when selecting contractors and minimize the likelihood of a vendor that had performed badly being awarded a contract by another organization. Understanding the reasons for and management of contract modifications was essential to effective contract execution, but none of the organizations had provided aggregate information in that area. Modifications that reflected cost overruns, delays, unjustified extensions and the acceptance of inferior products or services indicated deficiencies that must be addressed by senior management. The lack of documentation in the organizations had made it impossible to quantify or qualify the effects of such deficiencies.

60. Post-award contract management was one of the riskiest areas in procurement. Regardless of the way in which a contract was awarded, the post-award activities determined the extent to which the related objectives were achieved and the performance, timeliness, quality and cost requirements met. The legislative bodies and such entities as the Procurement Network of the CEB High-level Committee on Management must ensure that the required action was taken. Organizations should collaborate to harmonize policies, procedures and guidelines in post-award contract management.

61 **Mr. Herman** (United Nations System Chief Executives Board for Coordination), introducing the note by the Secretary-General transmitting his comments and those of CEB on the JIU report (A/70/676/Add.1), said that, since effective contract management was a fundamental institutional practice, United Nations system organizations welcomed the JIU report and supported many of the recommendations. The implementation of some of the recommendations, however, was impractical for organizations that conducted procurement on a small scale. Many entities needed to tailor implementation of the recommendations to their specific circumstances, and cost-benefit assessments should be conducted for some recommendations. The written notification of the persons designated to manage contracts after award, called for in recommendation 3, was not always necessary. Other recommendations had the full support of system entities, although implementation could depend on the available resources. Many of the recommendations offered a constructive approach to challenges faced by organizations in managing contracts.

62. **Ms. Pereira Sotomayor** (Ecuador), speaking on behalf of the Group of 77 and China, said that procurement in the United Nations system had increased, in particular in the Procurement Division, where the volume had reached $3.3 billion in 2015. Since efficiency, transparency and cost-effectiveness were essential in the procurement system, the Secretary-General should strengthen internal controls and oversight, make senior staff more accountable and fulfil the corresponding legislative mandates. Any structural change made to procurement operations in implementation of service delivery proposals must be fully coordinated with the supply chain management system. The Group welcomed the Division's efforts to reach the widest possible audience through business seminars, the United Nations Global Marketplace and United Nations procurement manuals, which would raise awareness of procedural requirements among vendors from developing countries. Vendors, in particular those from developing countries and countries with economies in transition, must receive equal, fair and non-discriminatory access to procurement opportunities in the interests of transparency and efficiency. The Secretary-General should explore innovative ways of promoting procurement from such countries at Headquarters and field offices.

63. With regard to the observations and recommendations of the Board of Auditors (A/71/5 (Vol. I)), the waivers and extensions granted to many vendors ran counter to the spirit of transparency and fair play. The Secretary-General should address the weaknesses identified by the Board and improve the efficiency of the Procurement Division. The Organization should procure goods and services in compliance with established procedures based on international competitive bidding and the widest possible geographical base, and should promote a transparent, impartial and cost-effective procurement system that reflected the international character of the United Nations, as requested in many General Assembly resolutions.

64. The Group requested further information regarding the results achieved in e-tendering, particularly with regard to developing countries. The Secretary-General should report on efforts to reach vendors who could not access the e-tendering system. The concept of environmentally friendly and sustainable procurement had not been approved by the General Assembly and should be studied further, particularly with regard to its possible impact on the

diversification of the origin of vendors and international competition. In addition, resolution 69/273 requested the Secretary-General not to proceed with a sustainable procurement pilot project. The Group would seek further information on that subject in informal consultations. It requested further information regarding the Secretariat's intentions for the Regional Procurement Office in Entebbe, Uganda, given the prospects for a global service delivery model.

65. **Mr. Abdallah** (Chad), speaking on behalf of the Group of African States, said that business seminars, online portals and manuals intended to raise awareness regarding procedural requirements in procurement should be available in all languages. Transparency, equal opportunities for vendors from developing countries and streamlined processes were essential in making the United Nations procurement system more efficient. The Secretary-General should promote procurement from developing countries and countries with economies in transition.

66. Procurement reporting procedures must be applied in a timely manner and accountability and responsibility in peacekeeping must be improved. The General Assembly had not approved the concept of environmentally friendly and sustainable procurement, and the Secretary-General should prepare a comprehensive report on the content of and criteria for such a concept, including its possible impact on the diversification of vendors and on international competition. The Group would seek an update on the ways in which the e-tendering proposal would mitigate the challenges facing vendors in accessing information technology systems for the processing of solicitations. It would request further information regarding the Secretariat's proposal regarding the Regional Procurement Office in Entebbe, given the prospects for a global service delivery model.

67. **Ms. Grant** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova and Ukraine, said that the Advisory Committee's report had not been made available in all languages until shortly before the meeting; the timely issuance of documents was essential. The Committee's discussions should be guided by the general principles of United Nations procurement: best value for money; fairness, integrity and transparency; effective international competition; and the interest of the Organization. The States members of the European Union welcomed the progress in electronic tendering, the Award Review Board, procurement training and air transport procurement. Request-for-proposal solicitation for air transport services was in line with the general principles of United Nations procurement and had been implemented in the United Nations Mission in South Sudan (UNMISS) and the African Union-United Nations Hybrid Operation in Darfur (UNAMID), building on the experience of the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO), where a pilot request-for-proposal exercise had increased international competition. The Secretariat should expedite the publication of requests for proposals for air transport services.

68. The recommendations of the Board of Auditors should be fully implemented. Procurement processes should take into account new technologies and innovations that enhanced delivery, value for money and sustainability. The roll-out of Umoja had resulted in the establishment of a single vendor roster, the removal of location-based operational barriers and the harmonization of processes. Her delegation looked forward to discussing the ways in which Umoja Extension 2 would further enhance procurement practices and increase visibility and transparency. The Secretariat should promote a global approach to procurement and enhance cooperation among United Nations system entities to reduce the number of location-bound processes and increase system-wide joint procurement, building on the success of the Nairobi pilot project and the World Food Programme joint shipping cell. Procurement initiatives should be aligned with the global service delivery model.

69. The Secretary-General should ensure that all vendors, including those from the country in which a given operation was being conducted, had fair market access to United Nations tenders. The outreach initiatives designed to facilitate participation had increased the geographical diversity of vendors. Her delegation looked forward to receiving information regarding the progress made since 2015 in advertising tenders in all six official languages of the United Nations, which was essential to such diversity. Sustainable procurement was closely linked to the promotion of broad geographical market access, in line with the commitments made by Member States at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Paris in 2015, and in the 2030 Agenda. United Nations procurement should reflect a sustainable development policy that protected the environment and human rights.

70. **Mr. Munir** (Pakistan) said that given the increase in the volume handled by the Procurement Division, United Nations procurement must be strengthened through increased efficiency, transparency and cost-effectiveness. Strong internal control and oversight, accountability of staff at all levels, and the implementation of the corresponding legislative mandates were essential to efficiency. Although the use of information technology was essential to the efficient processing of solicitations, it should not reduce the chances of successful bidding by Member States. The Secretary-General should promote procurement from developing countries and countries with economies in transition, including through awareness-raising business seminars. The results of the Nairobi pilot project should be shared with the General Assembly before the project was replicated in other offices. The Secretary-General should provide the Assembly with an update on the expansion of the coverage of the Award Review Board, the reasons for the rejection of solicitations and the way in which solicitations were processed. The Secretariat should not pre-empt a decision of the Assembly on the concept of environmentally friendly and sustainable procurement, whose implementation in the United Nations system must be refined, taking into account the capabilities of developing countries.

71. **Ms. Connelly** (United States of America) said that since over $3 billion was spent annually on procurement, including for peacekeeping and special political missions, the Procurement Division must operate effectively, transparently and in line with industry standards. The Division had made efforts to consolidate processes through the Nairobi pilot project and the joint shipping cell, and should optimize service delivery and consolidate procurement in the Secretariat and among United Nations entities through greater regional procurement and systems contracts. Her delegation would seek further information regarding the phased approach to the consolidation of local offices mentioned in the Secretary-General's report (A/71/729). It was disappointed with the slow transition to a new solicitation method for long-term air charter services. The United Nations should ensure high quality, safety and competition in aviation services, which were the largest commodity procured by the Secretariat and essential to peacekeeping. The Department of Management and the Department of Field Support should jointly address the capability gaps described in the report of the Advisory Committee (A/71/681).

72. Transparency and accountability were essential in procurement; her delegation welcomed the expansion of the Award Review Board and believed that other areas could be strengthened. The Secretary-General should address the observations of the Board of Auditors on the use of waivers for competitive bidding. A central ineligibility list should be established to minimize the use of bad vendors. The Secretary-General should strengthen internal controls and transparency as procurement service delivery was consolidated through the global service delivery model.

Agenda item 134: Programme budget for the biennium 2016-2017 (*continued*)

Managing after-service health insurance
(A/71/698, A/71/698/Corr.1 and A/71/815)

73. **Ms. Bartsiotas** (Controller), introducing the Secretary-General's report on managing after-service health insurance (A/71/698 and A/71/698/Corr.1), said that the Secretary-General's report on the matter at the seventieth session of the General Assembly (A/70/590) had contained an overview of health insurance covering officials and former officials, and their family members, across the United Nations system, and recommendations related to efficiency and cost containment, and had been based on the work of the inter-agency Working Group on After-Service Health Insurance established by the Finance and Budget Network of the CEB High-level Committee on Management. The General Assembly had requested the Secretary-General to maintain the Working Group and make further proposals to the Assembly at its seventy-first session.

74. The Secretary-General was concerned about the financial pressure that the pay-as-you-go approach would put on future budgets. Disbursements for after-service health insurance were expected to increase from $218 million in the current biennium to $353 million in the biennium 2024-25 and twice that amount by the biennium 2040-41 for entities falling directly within the scope of General Assembly decisions, and from $350 million in the current biennium to $1.4 billion in 2040-41 for all United Nations organizations. Although the after-service health insurance liability for some United Nations system agencies exceeded net assets, full funding of the total liability was unrealistic. The Secretary-General proposed that the obligation related to staff recruited from 1 January 2020 should be fully funded, while the obligations related to staff recruited before that date should continue to be met on a pay-as-you-go basis; they would decline through attrition after an initial period of continued growth. The reserve would be accumulated through a payroll charge starting in the biennium 2020-2021. The charge, currently assessed at

6.17 per cent of salary, would be adjusted to reflect the return on the investment of the reserve over time. The gradual accumulation of the reserve and the return on investments would limit the impact of the pay-as-you-go obligation on future budgets and would balance the obligation and budgetary resources.

75. For the remainder of 2017, the Working Group would focus on collective negotiations with third-party administrators, gathering information regarding the appropriateness of requiring that insured persons should be enrolled for primary coverage under their national health insurance scheme, revisiting plans and eligibility, and achieving critical scale. By the end of 2017, the Task Force on Accounting Standards would complete its work on harmonizing the valuation methodology across the United Nations system. The Working Group on Common Treasury Services would, by the seventy-third session, conclude its exploration of opportunities for inter-agency cooperation in the investment of funds earmarked for the coverage of after-service health insurance liabilities and a permanent body would be established to address insurance matters on an ongoing basis, since after-service health insurance obligations could not be dissociated from cost containment. The Secretary-General's proposal was designed to control the cost of such obligations. The Committee's decision would inform the decisions of the governing bodies of other United Nations system organizations, some of which had endorsed the establishment of reserve funds. While all opportunities to increase efficiency and contain costs would be explored, the establishment of a financial reserve would reduce pressure on future budgets.

76. **Mr. Sene** (Vice-Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/815), said that the Advisory Committee recommended that the General Assembly should endorse recommendations A, B, C, E and G, but not recommendations D and F, of the Secretary-General. It welcomed the promotion by the Working Group on After-Service Health Insurance of cooperation among United Nations system organizations in the management of health insurance plans, negotiations with service providers and the harmonization of after-service health insurance liability valuation methods. In recommendation F, the Secretary-General recommended that the liability related to staff recruited from 1 January 2020 should be fully funded, while the liability related to staff recruited before that date should be funded through the current pay-as-you-go approach. He recalled that the General Assembly, in its resolution 64/241, had stated that the pay-as-you-go approach remained viable and, by resolution 70/248 B, had endorsed the Advisory Committee's recommendation that the Organization should continue with it. The current funding proposal was not presented in a comprehensive manner and failed to consider various scenarios and variables that could affect the liability. Information regarding the eligibility of persons insured under the auspices of United Nations system organizations for national health insurance schemes was being gathered, and the Working Group had made no recommendation on the matter. The Advisory Committee looked forward to receiving more information in the Secretary-General's next report.

77. **The Chair** invited a representative of the Federation of Associations of Former International Civil Servants (FAFICS) to make a statement.

78. **Ms. Saputelli** (Federation of Associations of Former International Civil Servants) said that FAFICS, which acted on behalf of 59 member associations, was a member of the Working Group on After-Service Health Insurance. Health insurance arrangements varied among the common system organizations but were all based on the principle that retired staff should have access to health insurance if they had been enrolled in staff health insurance schemes for a significant period. Such coverage was essential for the organizations, which hired staff in a competitive market, and was an important condition of service. It was not only a liability of the common system organizations but also a benefit for the staff members of those organizations. Although the matter was included under the agenda item related to the programme budget, it had a significant human resources dimension.

79. The Federation supported all the Working Group's recommendations and was disappointed that the Advisory Committee did not support the recommendations that consideration of expanding the mandate of the United Nations Joint Staff Pension Fund should cease or that certain future after-service health insurance liabilities should be funded on a pay-as-you-accrue rather than a pay-as-you-go basis. Failure to adopt the pay-as-you-accrue approach would expose the organizations to the risk that after-service health insurance liabilities would be unfunded when insurance premiums were due. The Federation trusted that the Advisory Committee's reservations regarding the matter might be overcome over time. Organizations that operated on a pay-as-you-go basis should move to a pay-as-you-accrue basis, in line with the International Public Sector Accounting Standards, to

enhance organizations' ability to meet their obligation to provide health benefits to serving and former staff.

80. While the Advisory Committee supported the broadening of the mandate of the Pension Fund to include the investment of after-service health insurance assets, the Working Group, the Pension Fund Board and the Federation did not. The Advisory Committee's recommendation on the matter was directed not at the Working Group but at system organizations whose governing bodies had decided to set aside assets to fund after-service health insurance benefits. In considering possible arrangements to meet after-service health insurance liabilities, the Advisory Committee stated that scenarios in which a reduced share of the premiums was apportioned to the organizations could be explored, despite the General Assembly's approval of the International Civil Service Commission recommendation that the current apportionment of health insurance premiums between the Organization and active and retired staff should be maintained. The organizations' contribution should not be reduced, because doing so would increase the contribution paid by retirees in respect of a benefit intended as deferred compensation already earned. To increase retirees' contributions after the fact would be unfair and would undermine the principle of solidarity, in particular the sharing of burdens between young and old, on which social insurance was based. The Secretary-General had addressed intergenerational equity in his report at the seventieth session (A/70/590) and the acquired rights related to after-service health insurance in his report at the sixty-eighth session (A/68/353); at that time, FAFICS had stated that such rights should be respected in reviews of after-service health insurance schemes. No action should be taken on the proposal that changes in the sharing ratios should be considered.

81. Although the Secretary-General made no recommendations on national health schemes in his current report because work in the area was ongoing, persons insured under the health plans of system organizations should be enrolled in such schemes only with their full agreement and on the understanding that the organizations would evaluate plans on a case-by-case basis to ensure that health-care quality was maintained.

82. **Ms. Pereira Sotomayor** (Ecuador), speaking on behalf of the Group of 77 and China, said that the Group attached great importance to staff welfare and was committed to the settlement of end-of-service liabilities, including in relation to after-service health insurance, since many staff were ineligible for national social security schemes owing to their service with the United Nations. The Group would seek information regarding the benefits of the Secretary-General's recommendation that the after-service health insurance liability related to staff recruited from 1 January 2020 should be fully funded while the pay-as-you-go approach should be maintained for staff recruited before that date.

83. With regard to the Secretary-General's recommendation that consideration of expanding the mandate of the Pension Fund to include after-service health insurance should cease, she recalled that the General Assembly, in its resolution 68/244, had requested the Secretary-General to examine options for including in the mandate of the Pension Fund the administration of after-service health insurance benefits, whose funding was of system-wide concern. The Group requested further information regarding the reasons for which such options could no longer be explored. It would consider the Secretary-General's other proposals on their own merits. Many staff would retire in the coming years and their interests must be taken into account in the consideration of after-service health insurance.

84. **Ms. Grant** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia, the Republic of Moldova and Ukraine, recalled that the General Assembly, in its resolution 70/248 B, had endorsed the Advisory Committee's recommendations that the pay-as-you-go approach, which the Assembly considered a viable option, should be maintained, given that the rationale for setting aside budgetary resources meant for current activities to provide for expected future liabilities had not been sufficiently justified by the Secretary-General. The States members of the European Union agreed with the Advisory Committee's recommendation on the matter in its current report; changing the status quo was unjustified. They welcomed those of the Secretary-General's proposals that were supported by the Advisory Committee, including in relation to collective negotiations with third party administrators, health-care providers and insurers; harmonizing the principles guiding liability valuation; and promoting inter-agency collaboration in the investment of funds earmarked for the coverage of after-service health insurance liabilities. They would welcome proposals for more cost reductions in health insurance. Funding options must be accompanied by proposals for cost containment and the possible reduction of after-service

health insurance liabilities, and must include present and future beneficiaries. The Secretariat should follow the General Assembly's guidance that recommendations should be formulated in the context of the current funding approach.

The meeting rose at 12.35 p.m.